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**STATE OF CONNECTICUT
LABOR AND PUBLIC EMPLOYEES COMMITTEE**

PUBLIC HEARING ON "WORKERS' COMPENSATION"

January 30, 2007

Statement of the American Insurance Association

This written statement is submitted by the American Insurance Association (AIA). AIA is a national trade association representing property-casualty insurance companies that write workers' compensation insurance in every U.S. regulatory jurisdiction, including Connecticut.

AIA opposes the proposed workers' compensation legislation under consideration because the bills represent a step back from the successful reform of the Connecticut workers' compensation system. Prior to the 1993 enactment of comprehensive reform, Connecticut had one of the most expensive and inefficient workers' compensation systems in the nation. Average benefit costs per covered worker in 1991, for example, were more than 35% higher than the nationwide average. Between 1982 and 1991, average benefit costs in Connecticut increased 250%, more rapidly than in any other state during that time and 84% more rapidly than average costs nationwide.

Thanks to the 1993 reforms, Connecticut has enjoyed a relatively more stable and efficient workers' compensation system. Now, more than a decade after enactment of the reforms, Connecticut's workers' compensation costs are more in line with nationwide costs. According to the 2006 Annual Statistical Bulletin published by the National Council on Compensation Insurance, average medical and indemnity costs for all types of workers' compensation injuries in Connecticut are still above the countrywide average, but by a much less significant amount than pre-reform. The results are similar if one looks only at the costs of the indemnity portion of workers' compensation claims.

Although Connecticut's workers' compensation cost situation has improved significantly from the pre-reform era, still, Connecticut's costs remain higher than average costs around the country. If anything, legislation is now needed to further move Connecticut's costs down to the nationwide average. Connecticut does not need to consider proposals that would significantly increase workers' compensation costs and ultimately

move Connecticut back to its pre-reform era when the workers' compensation system was deteriorating.

The current workers' compensation proposals before this Committee would all add to Connecticut's workers' compensation costs and steadily increase the gap between Connecticut's average costs and countrywide averages. Senate Bill 847, for example, would allow the commissioner much wider scope to award even more discretionary benefits to permanent partial disability claimants even though, according to the 2006 Annual Statistical Bulletin, the average permanent partial disability award in Connecticut is already extremely high.

Other proposals would likewise raise Connecticut's workers' compensation costs. Senate Bill 400, for example, would award indemnity benefits to dependents where a workers' compensation claimant dies before the claim is settled or compensation is awarded even though the death was wholly unrelated to the workers' compensation injury. The very purpose of workers' compensation benefits is to replace loss of income where a person cannot work because of a workplace injury. If a person dies for reasons unrelated to the workplace injury, no reason exists to continue to pay lost wage benefits. Other insurance systems, such as life insurance, are more appropriately applicable for such situations.

In addition, Senate Bill 172 which requires that a respondent request an informal hearing on the issue of disability within 30 days of every disability determination or scarring evaluation, and Senate Bill 153 which removes the already more than ample two year limitation period for filing personal disfigurement or scarring claims, seem geared only to unnecessarily raise costs and expenses within the Connecticut system.

AIA recommends that the Committee reject the proposals currently under consideration that would undo the critical cost savings achieved by the prior reforms. In contrast, the Committee should seek alternatives to further improve upon the savings already achieved by the reforms and continue to seek ways to place Connecticut's costs more in line with workers' compensation costs in other states.

We appreciate the opportunity to offer this statement.